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CANADIAN GENERAL INVESTMENTS LIMITED

1967

Annual Report

D E C E M B E R 31, 1967



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CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors

| | |
|-----------------------------------|---------------------|
| ALEX. E. BARRON | EDWARD F. RYAN |
| F. R. BENNETTO, M.B. | M. O. SIMPSON, JR. |
| A. BRUCE MATTHEWS, C.B.E., D.S.O. | J. ALLYN TAYLOR |
| M. C. G. MEIGHEN, O.B.E. | COLIN W. WEBSTER |
| T. R. MEIGHEN, Q.C. | MARTIN L. WILLS |
| E. LOUISE MORGAN | DONALD J. A. WRIGHT |

Officers

| | |
|------------------------------------|---|
| M. C. G. MEIGHEN, O.B.E. - - - - - | <i>President</i> |
| ALEX. E. BARRON - - - - - | <i>Vice-President and Treasurer</i> |
| MARTIN L. WILLS - - - - - | <i>Vice-President and Assistant-Treasurer</i> |
| E. LOUISE MORGAN - - - - - | <i>Secretary</i> |

Auditors

PRICE WATERHOUSE & CO. - - - - - *Toronto*

Registrar and Transfer Agent

THE CANADA TRUST COMPANY - - - - - *Toronto*

Office of Company

110 YONGE STREET, SUITE 1702 (Telephone 366-2932) - - - - - *Toronto*

CANADIAN GENERAL INVESTMENTS LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1967, consisting of the Balance Sheet, and Statements of Income and Expense, Surplus, and Source and Application of Funds, all as reported upon by your Company's Auditors.

The Balance Sheet discloses that the total assets of the Company, as at December 31, 1967, amounted to \$39,141,287. Marketable securities held by your Company were carried on the books of the Company at \$38,982,178. The indicated market value of these securities, as at December 31, 1967, was \$75,403,829. The indicated market value, therefore, exceeded the book value by \$36,421,651. If this amount is added to the assets, the total assets of the Company amount to \$75,562,938. From this amount should be deducted the total liabilities of the Company, namely, \$53,452, which leaves a net value of \$75,509,486. Based on the 960,941 common shares outstanding, as at December 31, 1967, each common share had an apparent equity value of approximately \$78.58.

The Statement of Income and Expense discloses that your Company, after paying all expenses, had net income for the year of \$2,594,461, which is equivalent to \$2.70 for each of the outstanding common shares.

During 1967 shareholders received stock dividends totalling \$2.40 per share in the form of immediately redeemable second preference shares as follows: 60¢ on March 30th; 60¢ on June 29th; 60¢ on September 28th and 60¢ on December 29th.

The Directors have declared a quarterly dividend consisting of two redeemable preference shares with a par value of 20¢ each, plus an extra of one redeemable preference share with a par value of 20¢, on each of the outstanding common shares, payable on March 28, 1968 to shareholders of record as of the close of business March 15, 1968. The preference shares to be issued as a stock dividend will be redeemed on March 29, 1968.

During the year the Honourable Ray Lawson tendered his resignation as a Director and Officer of the Company. Mr. Lawson joined the Board in 1945 and was elected a Vice President in 1950. It was an honour to have Mr. Lawson associated with the Company and his presence will be greatly missed.

The portfolio of investments, as at December 31, 1967, is to be found at the back of this report.

Submitted on behalf of the Board.

Mr. C. G. Meighen

TORONTO, January 22, 1968.

President

C A N A D I A N G E N E R A L

Balance Sheet

Assets

| <i>Assets</i> | December 31 | |
|---|---------------------|---------------------|
| | 1967 | 1966 |
| Investments in Shares (see Notes): | | |
| Securities having a quoted market value - - - - - | \$38,982,178 | \$38,916,325 |
| (Value based on market quotations as at— | | |
| December 31, 1967—\$75,403,829 | | |
| December 31, 1966— 69,005,316) | | |
| Securities not having a quoted market value - - - - - | 123,622 | — |
| | 39,105,800 | 38,916,325 |
| | 35,487 | 311,961 |
| Cash in Bank - - - - - | <u>\$39,141,287</u> | <u>\$39,228,286</u> |

Liabilities

| | | | | | | | |
|-----------------------------|---|---|---|---|---|---------------|--------------|
| Securities Purchased - | - | - | - | - | - | \$ 52,292 | \$ — |
| Income Taxes Payable | - | - | - | - | - | 1,160 | 4,141 |
| Capital and Surplus: | | | | | | 53,452 | 4,141 |

Capital and Surplus:

Capital stock—

Authorized—

11,171,770 3% non-cumulative non-voting preference shares with a par value of 20¢ each redeemable at the amount paid up thereon, after the issue and redemption during the year ended December 31, 1967 of 11,531,292 shares

1,000,000 common shares without par value

Issued and outstanding—

960,941 common shares

Surplus - - - - - - - - - - - - - - - - - - -

| | | |
|--------------|---------------------|-------------------|
| Operating溢利 | <u>39,087,835</u> | <u>39,224,145</u> |
| \$39,141,287 | <u>\$39,228,286</u> | |

Apparent liquidating value per share - - - - - \$78.58 \$72.13

APPROVED ON BEHALF OF THE BOARD:

M. C. G. MEIGHEN, *Director*

COLIN W. WEBSTER, *Director*

Auditors' Report to the Shareholders of

CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the balance sheet of Canadian General Investments Limited as at December 31, 1967 and the statements of income and expense, surplus and source and application of funds for the year then ended. Our examination included an inspection of share certificates and other evidence of the investments held by the company as at December 31, 1967 and a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, January 9, 1968.

PRICE WATERHOUSE & CO.
Chartered Accountants.

I N V E S T M E N T S L I M I T E D

Statement of Income and Expense

| | For the year ended December 31 | |
|--|-----------------------------------|---------------------|
| | 1967 | 1966 |
| Income: | | |
| Dividends received - - - - - | \$ 2,855,457 | \$ 2,737,811 |
| Less—Allowance for depletion - - - - - | 93,680 | 85,923 |
| | <hr/> | <hr/> |
| | 2,761,777 | 2,651,888 |
| Interest earned - - - - - | 28,123 | 35,870 |
| | <hr/> | <hr/> |
| | 2,789,900 | 2,687,758 |
| Expense: | | |
| Management fee - - - - - | 173,282 | 206,505 |
| Directors' fees - - - - - | 5,100 | 5,705 |
| Miscellaneous - - - - - | 13,147 | 13,971 |
| | <hr/> | <hr/> |
| | 191,529 | 226,181 |
| Net income before provision for income taxes - - - - - | 2,598,371 | 2,461,577 |
| Provision for income taxes - - - - - | 3,910 | 5,265 |
| Net income for the year - - - - - | <u>\$ 2,594,461</u> | <u>\$ 2,456,312</u> |
| | <hr/> | <hr/> |

Statement of Surplus

| | For the year ended December 31 | |
|--|-----------------------------------|---------------------|
| | 1967 | 1966 |
| Balance at beginning of year - - - - - | \$15,200,620 | \$14,976,617 |
| Net income for the year - - - - - | 2,594,461 | 2,456,312 |
| Net profit (loss) on investments sold - - - - - | (73,820) | 75,766 |
| | <hr/> | <hr/> |
| | 17,721,261 | 17,508,695 |
| Dividends paid on common shares in preference shares subsequently redeemed - - - - - | 2,306,258 | 2,114,070 |
| Tax paid under Section 105(2) of the Income Tax Act - - - - - | 350,693 | 194,005 |
| | <hr/> | <hr/> |
| | 2,656,951 | 2,308,075 |
| Balance at end of year - - - - - | <u>\$15,064,310</u> | <u>\$15,200,620</u> |
| | <hr/> | <hr/> |

CANADIAN GENERAL INVESTMENTS LIMITED

Notes to the Financial Statements

DECEMBER 31, 1967

The carrying value of investments in shares is as follows:

- (a) Shares purchased prior to 1952 are at cost or at market value in 1952 when a portion of the portfolio was written up to approximate market value as part of a capital reorganization.
- (b) Shares purchased since 1952 have been recorded at cost.

In addition, the above carrying values have been reduced by the following:

- (a) Allowance for depletion on securities where the Government of Canada grants such allowances.
- (b) Stock dividends received where such stock dividends were paid out of accumulated surplus over and above the normal dividend.

Profits (or losses) on sales of investments have been taken at the difference between the proceeds received and the average net carrying value at the date of sale.

The indicated market values of portfolio holdings are the result of pricing the company's holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations.

Statement of Source and Application of Funds

| | For the year ended December 31 | |
|--|-----------------------------------|--------------|
| | 1967 | 1966 |
| Source of funds: | | |
| Net income for the year - - - - - | \$ 2,594,461 | \$ 2,456,312 |
| Add—Allowance for depletion which does not involve a current outlay of funds | 93,680 | 85,923 |
| | 2,688,141 | 2,542,235 |
| Sale of investments - - - - - | 314,907 | 121,159 |
| | 3,003,048 | 2,663,394 |
| Application of funds: | | |
| Dividends paid - - - - - | 2,306,258 | 2,114,070 |
| Tax paid under Section 105(2) of the Income Tax Act - - - - - | 350,693 | 194,005 |
| Purchase of investments - - - - - | 671,882 | 396,969 |
| | 3,328,833 | 2,705,044 |
| Net decrease in uninvested funds - - - - - | \$ 325,785 | \$ 41,650 |

CANADIAN GENERAL INVESTMENTS LIMITED

Summary by Industry

| INDUSTRY | VALUE AS OF DEC. 31, 1967 | PERCENT OF PORTFOLIO |
|-------------------------------------|------------------------------|-------------------------|
| Steel - - - - - | \$ 8,962,500 | 11.9 |
| Industrial Management - - - - - | 8,251,250 | 10.9 |
| Business Forms - - - - - | 8,050,000 | 10.7 |
| Banks and Trust Companies - - - - - | 7,788,513 | 10.3 |
| Investment Trusts - - - - - | 6,520,000 | 8.6 |
| Metals - - - - - | 6,095,000 | 8.1 |
| Beverages - - - - - | 5,732,500 | 7.6 |
| Merchandising - - - - - | 4,829,000 | 6.4 |
| Forest Products - - - - - | 4,622,500 | 6.1 |
| Packing - - - - - | 3,865,000 | 5.1 |
| Oils - - - - - | 3,348,000 | 4.4 |
| Metal Products - - - - - | 1,625,000 | 2.2 |
| Miscellaneous - - - - - | 1,571,035 | 2.1 |
| Pipelines - - - - - | 1,493,750 | 2.0 |
| Utilities - - - - - | 1,320,000 | 1.8 |
| Textiles and Chemicals - - - - - | 818,000 | 1.1 |
| Finance - - - - - | 511,781 | .7 |
| | ----- | ----- |
| | \$75,403,829 | 100.0 |

CANADIAN GENERAL INVESTMENTS LIMITED

Portfolio of Investments

AS AT DECEMBER 31, 1967

| No. of Shares | | Total Market Value \$ | % of Portfolio | No. of Shares | | Total Market Value \$ | % of Portfolio |
|---------------|---|-----------------------|----------------|---------------|---|-----------------------|----------------|
| | Banks and Trust Companies | 7,788,513 | 10.3 | | Industrial Management | 8,251,250 | 10.9 |
| 12,500 | Bank of Montreal - - - - - | 140,625 | .2 | 170,000 | Argus Corporation - - - - - | 1,955,000 | 2.6 |
| 10,000 | Bank of Nova Scotia - - - - - | 141,250 | .2 | 730,000 | Argus Corporation Class "C" Prefd. - - - - - | 6,296,250 | 8.3 |
| 648,900 | Huron and Erie Mortgage Corporation - - - - - | 6,407,888 | 8.5 | | | | |
| 5,000 | Provincial Bank of Canada - - - - - | 42,500 | .1 | | | | |
| 50,000 | Royal Bank of Canada - - - - - | 781,250 | 1.0 | | | | |
| 20,000 | Toronto-Dominion Bank - - - - - | 275,000 | .3 | | | | |
| | Beverages | 5,732,500 | 7.6 | | Investment Trusts | 6,520,000 | 8.6 |
| 104,000 | Distillers Corporation- Seagrams - - - - - | 4,095,000 | 5.4 | 652,000 | Third Canadian General Investment Trust - - - - - | 6,520,000 | 8.6 |
| 50,000 | Hiram Walker-Gooderham and Worts - - - - - | 1,637,500 | 2.2 | | | | |
| | Business Forms | 8,050,000 | 10.7 | | Merchandising | 4,829,000 | 6.4 |
| 280,000 | Moore Corporation - - - - - | 8,050,000 | 10.7 | | | | |
| | Finance | 511,781 | .7 | | | | |
| 25,750 | Industrial Acceptance Corporation - - - - - | 511,781 | .7 | | | | |
| | Forest Products | 4,622,500 | 6.1 | | Metal Products | 1,625,000 | 2.2 |
| 50,000 | Fraser Companies - - - - - | 925,000 | 1.2 | | | | |
| 110,000 | Great Lakes Paper - - - - - | 1,897,500 | 2.5 | | | | |
| 20,000 | Maclarens Power & Paper Class "A" - - - - - | 335,000 | .4 | | | | |
| 25,000 | Maclarens Power & Paper Class "B" - - - - - | 418,750 | .6 | | | | |
| 45,000 | MacMillan, Bloedel Ltd. - - - - - | 1,046,250 | 1.4 | | | | |
| | | | | 100,000 | Hayes Dana Ltd. - - - - - | 1,325,000 | 1.8 |
| | | | | 10,000 | P. L. Robertson Mfg. Co. - - - - - | 300,000 | .4 |

Note: Argus Corporation holds shares in the following companies: British Columbia Forest Products, Canadian Breweries, Dominion Stores, Domtar Limited, Hollinger Consolidated Gold Mines, Massey-Ferguson and Standard Radio.

CANADIAN GENERAL INVESTMENTS LIMITED

| No. of Shares | Total Market Value \$ | % of Portfolio | No. of Shares | Total Market Value \$ | % of Portfolio |
|---|-----------------------|----------------|-------------------------------------|-----------------------|----------------|
| | | | | | |
| Metals | 6,095,000 | 8.1 | Steel | 8,962,500 | 11.9 |
| (a) Base Metals | 1,538,750 | 2.0 | 220,000 Algoma Steel Corporation | 4,125,000 | 5.5 |
| 50,000 Cominco Limited | 1,256,250 | 1.7 | 200,000 Dominion Foundries & Steel | 3,825,000 | 5.1 |
| 5,000 Hudson Bay Mining & Smelting Co. | 282,500 | .3 | 50,000 Steel Company of Canada | 1,012,500 | 1.3 |
| (b) Other Metals and Minerals | 4,556,250 | 6.1 | | | |
| 50,000 Alcan Aluminium Ltd. | 1,412,500 | 1.9 | Textiles and Chemicals | 818,000 | 1.1 |
| 25,000 International Nickel Co. of Canada | 3,143,750 | 4.2 | 16,000 Canadian Industries | 248,000 | .3 |
| | | | 13,000 Dominion Textile | 227,500 | .3 |
| | | | 20,000 Union Carbide | 342,500 | .5 |
| Oils | 3,348,000 | 4.4 | | | |
| 40,000 Imperial Oil | 2,790,000 | 3.7 | Utilities | 1,320,000 | 1.8 |
| 36,000 D. A. Stuart Oil | 558,000 | .7 | 66,000 Consumers' Gas | 1,320,000 | 1.8 |
| Packing | 3,865,000 | 5.1 | | | |
| 10,000 Canada Packers "A" Prefd. | 820,000 | 1.1 | | | |
| 35,000 Canada Packers "B" | 3,045,000 | 4.0 | Miscellaneous | 1,571,035 | 2.1 |
| | | | 5,000 Maple Leaf Mills | 73,750 | .1 |
| Pipelines | 1,493,750 | 2.0 | 24,000 Southam Press Limited | 1,116,000 | 1.5 |
| 50,000 Interprovincial Pipe Line | 1,081,250 | 1.4 | 6,765 Traders' Building Association | 257,070 | .3 |
| 15,000 Trans-Canada Pipe Lines | 412,500 | .6 | 5,070 United Canadian Shares | 124,215 | .2 |

AR29

CANADIAN GENERAL INVESTMENTS LIMITED

4 KING STREET WEST - SUITE 1410

TORONTO, CANADA

SEMI-ANNUAL REPORT

JUNE 30, 1967

BOARD OF DIRECTORS

ALEX E. BARRON

Vice-President and Treasurer

F. R. BENNETTO, M.B.

A. BRUCE MATTHEWS, C.B.E., D.S.O.

M. C. G. MEIGHEN, O.B.E.

President

T. R. MEIGHEN, Q.C.

EDWARD F. RYAN

M. O. SIMPSON, JR.

J. ALLYN TAYLOR

COLIN W. WEBSTER

MARTIN L. WILLS

Vice-President

D. J. A. WRIGHT

REGISTRAR AND TRANSFER AGENT

THE CANADA TRUST COMPANY

33 ADELAIDE STREET WEST

TORONTO 1

CANADIAN GENERAL INVESTMENTS LIMITED

BALANCE SHEET

| | June 30 | |
|---|---------------------|---------------------|
| ASSETS | 1967 | 1966 |
| Investments in shares (see Notes) | \$39,004,560 | \$38,974,025 |
| (Value based on market quotations as at | | |
| June 30, 1967—\$79,674,702 | | |
| June 30, 1966—\$79,545,953) | | |
| Short term securities, at cost plus accrued interest..... | 226,832 | 295,392 |
| Cash in bank | — | 37,635 |
| | <u>\$39,231,392</u> | <u>\$39,307,052</u> |
| LIABILITIES | | |
| Bank indebtedness | \$ 46,272 | \$ — |
| Income taxes payable | 1,760 | 269 |
| Capital and Surplus: | | |
| Capital Stock: | | |
| Authorized— | | |
| 16,937,416 3% non-cumulative non-voting preference shares with a par value of 20¢ each redeemable at the amount paid up thereon, after the issue and redemption during the six months ended June 30, 1967 of 5,765,646 shares | | |
| 1,000,000 common shares without par value | | |
| Issued and outstanding— | | |
| 960,941 common shares | 24,023,525 | 24,023,525 |
| Surplus | 15,159,835 | 15,283,258 |
| | <u>39,183,360</u> | <u>39,306,783</u> |
| | <u>\$39,231,392</u> | <u>\$39,307,052</u> |
| Apparent liquidating value per share | \$ 83.10 | \$ 83.13 |

AUDITORS' REPORT

To the Directors of

CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the balance sheet of Canadian General Investments Limited as at June 30, 1967 and the statements of income and expense, surplus and source and application of funds for the six months then ended. Our examination included an inspection of share certificates and other evidence of the investments held by the company as at June 30, 1967 and a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1967 and the results of its operations and the source and application of its funds for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, July 12, 1967.

PRICE WATERHOUSE & Co.,
Chartered Accountants.

CANADIAN GENERAL INVESTMENTS LIMITED

STATEMENT OF INCOME AND EXPENSE

| | For the Six Months ended June 30 | |
|--|-------------------------------------|--------------|
| | 1967 | 1966 |
| Income: | | |
| Dividends received | \$ 1,420,810 | \$ 1,349,843 |
| Less—Allowance for depletion | 42,765 | 39,473 |
| | 1,378,045 | 1,310,370 |
| Interest earned | 16,359 | 16,542 |
| | 1,394,404 | 1,326,912 |
| Expense: | | |
| Management fee | 86,640 | 103,200 |
| Directors' fees | 2,700 | 3,005 |
| Miscellaneous | 10,808 | 11,769 |
| | 100,148 | 117,974 |
| Net income before provision for income taxes | 1,294,256 | 1,208,938 |
| Provision for income taxes | 1,515 | 1,260 |
| Net income for the period | \$ 1,292,741 | \$ 1,207,678 |

STATEMENT OF SURPLUS

| | For the Six Months ended June 30 | |
|---|-------------------------------------|--------------|
| | 1967 | 1966 |
| Balance at beginning of period | \$15,200,620 | \$14,976,617 |
| Net income for the period | 1,292,741 | 1,207,678 |
| Net profit on investments sold | — | 75,765 |
| | 16,493,361 | 16,260,060 |
| Dividends paid on common shares in preference shares subsequently redeemed | 1,153,129 | 960,941 |
| Tax paid under Section 105(2) of the Income Tax Act | 180,397 | 15,861 |
| | 1,333,526 | 976,802 |
| Balance at end of period | \$15,159,835 | \$15,283,258 |

C A N A D I A N G E N E R A L I N V E S T M E N T S L I M I T E D

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1967

The carrying value of investments in shares is as follows:

- (a) Shares purchased prior to 1952 are at cost or at market value in 1952 when a portion of the portfolio was written up to approximate market value as part of a capital reorganization.
- (b) Shares purchased since 1952 have been recorded at cost.

In addition, the above carrying values have been reduced by the following:

- (a) Allowance for depletion on securities where the Government of Canada grants such allowances;
- (b) Stock dividends received where such stock dividends were paid out of accumulated surplus over and above the normal dividend.

Profits (or losses) on sales of investments have been taken at the difference between the proceeds received and the average net carrying value at the date of sale.

The indicated market values of portfolio holdings are the result of pricing the company's holdings at the closing quoted market prices as at June 30. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| | For the Six Months ended June 30 | |
|---|-------------------------------------|--------------|
| | 1967 | 1966 |
| Source of funds: | | |
| Net income for the period | \$ 1,292,741 | \$ 1,207,678 |
| Add: Allowance for depletion which does not involve a current outlay of funds | 42,765 | 39,473 |
| | 1,335,506 | 1,247,151 |
| Sale of investments | — | 109,908 |
| | 1,335,506 | 1,357,059 |
| Application of funds: | | |
| Dividends paid | 1,153,129 | 960,941 |
| Tax paid under Section 105(2) of the Income Tax Act | 180,397 | 15,861 |
| Purchase of investments | 131,000 | 396,969 |
| | 1,464,526 | 1,373,771 |
| Net decrease in uninvested funds | \$ 129,020 | \$ 16,712 |